

KLDC

KINGSTON LOCAL DEVELOPMENT CORPORATION

James M. Sottile, President

Michael F. Murphy
Portfolio Manager

February 26, 2010

John H. Dwyer,
Vice President

Daniel P. Mills
Treasurer

Bradley Jordan,
Secretary

Rev. James Childs

Glenn Fitzgerald

Ray Guerin

Richard B. Mathews

Bruce McLean

an Potter

Thomas J. Reinhardt

MEMORANDUM

TO: BOARD OF DIRECTORS - KINGSTON LOCAL DEVELOPMENT CORPORATION
JAMES NOBLE, CITY OF KINGSTON ALDERMAN AT LARGE
ARLENE RION, CITY CLERK
AMANDA L. BRUCK-LITTLE, RECORDING SECRETARY KLDC
STEPHEN M. FINKLE, ECONOMIC DEVELOPMENT DIRECTOR
SUZANNE CAHILL, CITY PLANNER
BRENNA ROBINSON, EMPIRE ZONE COORDINATOR
MICHAEL F. JORDAN, ESQ., COUNSEL KLDC
DANIEL MARSH III, NATIONAL DEVELOPMENT COUNCIL DIRECTOR
DAILY FREEMAN, 79 HURLEY AVENUE, KINGSTON, NY 12401
WKNY, PO BOX 1398, KINGSTON, NY 12402
WGHQ, 82 JOHN STREET, KINGSTON, NY 12401
BRIAN JONES, WPHD/WCZX/WEOK/WRRV, PO BOX 416, POUGHKEEPSIE, NY 12602
POSTMASTER, PO BOX 9998, KINGSTON, NY 12402-9998
MICHAEL F. MURPHY, COMMUNITY DEVELOPMENT DIRECTOR/PORTFOLIO MANAGER

FROM: JAMES M. SOTTILE, MAYOR/PRESIDENT OF KLDC BOARD OF DIRECTORS

RE: KINGSTON LOCAL DEVELOPMENT CORPORATION BOARD MEETING

Please be advised that a meeting of the Kingston Local Development Corporation will be held at **8:00 a.m., Thursday, March 11, 2010** Said meeting will be held in the Mayor's Conference Room, City Hall, 420 Broadway, Kingston, NY 12401.

AFFIDAVIT OF MEETING:

I, Bradley Jordan, Secretary for the Board of Directors of the Kingston Local Development Corporation, did on the **26th day of February, 2010** mail this notice to the individuals listed above. Mailing was accomplished by sealing said notice in an envelope and depositing same, with postage thereon, full pre-paid, with the United States Post Office.


BRADLEY JORDAN, SECRETARY

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AGENDA

Thursday, March 11, 2010 @ 8:00 a.m.

- 1. Call to Order**
- 2. Approval of Minutes of Previous Meeting from 6/4/2009**
- 3. Bardavon / UPAC - Restructure**
- 4. Seven21 Media - Restructure**
- 5. Villa Carmella, Roberti's & Valerie's - Update**
- 6. Delinquent Accounts & Collection Policy**
- 7. Adjournment**

IF YOU ARE **UNABLE** TO ATTEND, PLEASE CALL MIKE MURPHY (334-3924) or AMANDA BRUCK-LITTLE (334-3930). IF WE DO NOT HAVE A QUORUM WE ARE UNABLE TO HOLD A MEETING.

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March 11, 2010

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Treasurer

Bradley Jordan,
Secretary

Rev. James Childs

Glenn Fitzgerald

Raymond C. Guerin

Richard B. Mathews

John Murphy

Jan Potter

Thomas J. Reinhardt

PRESENT:

BOARD MEMBERS - President Sottile, Vice President Dwyer, Secretary Jordan, Rev. Childs, Fitzgerald, Mathews, Murphy and Potter

COMMUNITY DEVELOPMENT DIRECTOR /PORTFOLIO MANAGER – M. Murphy

CITY PLANNER - Cahill

RECORDING SECRETARY - Bruck-Little

ECONOMIC DEVELOPMENT DIRECTOR - Finkle

BOARD ATTORNEY - M. Jordan

ABSENT:

BOARD MEMBERS – Mills, Guerin and Reinhardt

EZ COORDINATOR - Robinson

Meeting was called to order by President Sottile at 8:06am.

A motion to accept the minutes of the previous meeting from June 4, 2009 was made by Mr. Mathews and second by Ms. Potter. Passed unanimously.

Bardavon / UPAC-- Mr. Murphy has had many discussions with Mr. Silva, Executive Director of Bardavon regarding the lack of payments due from five six (6) year old loans totaling \$ 114,466.22.

Mr. Silva submitted a proposal for restructuring the loan and having the loan paid off within five (5) years. The line share of the loans would be 60-70% with an initial payment of \$38,000 in the first year. \$23,000 now and the remainder by October 2010; \$14,000 in 2011; \$17,000 in 2012 and the balance in the following two years.

Mr. Mathews inquired about fiduciary responsibilities of the KLDC regarding loans and Mr. M. Murphy explained the KLDC's fiduciary responsibility is to collect and payback all 108 and KRLF loans as well as prudent spending. The City of Kingston is liable for all 108 loans. Ms. Potter asked when the Bardavon officially took over UPAC and it was noted that it was during 2009. Board members inquired about the Bardavon's fiduciary responsibilities regarding UPAC. Mr. Murphy will look into negotiations agreed upon between Bardavon and UPAC.

Mr. Murphy told the Board the Bardavon /UPAC is a Community Development Grant (CDBG) recipient and has been for several years. The awarded funding is used to make improvements to UPAC. Knowing they receive this funding through the City they are probably more likely to comply with the terms. His recommendation is to accept the proposal of the loan restructure and to take assignment of any grant monies due to the Bardavon / UPAC in case of default.

After discussion among the Board members a motion was made by Mr. Jordan to have Mr. Murphy inquire to previous management and Director's of UPAC/Bardavon to find out if an official agreement on debt assumption was entered into. Payment is due now in the amount of \$23,000 with the remainder of the initial \$38,000 due in October 2010. The other payments would follow the proposal from Mr. Silva to pay off loans in a five year period. Second by Mr. Fitzgerald. Passed unanimously.

Seven21 Media – Seven21 Media is three (3) years in arrears for both school and property taxes and have not made a single payment to KLDC since August 1, 2008 and have an outstanding balance of \$200,000. Mr. Murphy believes restructuring their loan and entering into an inter-creditor agreement will be the only way KLDC will recoup their money. Mr. Murphy had a meeting with the Ellenbogen's and Mr. Hack of Ulster Savings Bank (USB) to try to reach an agreement regarding past due payments. Since the Ellenbogen's are not willing to put up any of their assets as equity Mr. Murphy and Mr. Hack are working together to come up with a restructured loan that would be beneficial to all involved. Mr. Murphy is recommending entering into an inter-creditor agreement with USB. This agreement would have all payments along with a monthly escrow payment going directly to USB and they in turn would make payment to KLDC either monthly or quarterly depending on what is agreed upon. As part of the agreement, should USB foreclose on the borrower, KLDC would receive between 10-18% of any and all foreclosure proceeds up to KLDC's \$200,000.

The Board discussed the issue of delinquency, none willingness to put up assets as collateral, a new business concept trying to grow faster than possible in these economic times. Some of the Board felt the KLDC should do what they can to try to help them. Ms. Potter made a motion to have Mr. Murphy take his proposal to USB and to be sure the proposal states the KLDC will not accept less than 10%. Second by Mr. Mathews. Passed unanimously.

Villa Carmella - In early April a process server had served the KLDC foreclosure papers on behalf of Mid Hudson Valley Federal Credit Union (MHVFCU) for Villa Carmella. Villa Carmella had been behind in payments until Ms. Saava recently brought in a payment for both of her loans. A short time later it had been learned she had made payment of \$48,000 to MHVFCU. Upon clearing, that payment would bring them current with the bank. The total due KLDC is \$137,985.51. The payment to MHVFCU will most likely stave off foreclosure proceedings from them. If MHVFCU were to restructure the loan for Villa Carmella, KLDC would have to subordinate. KLDC at this time also holds a second mortgage on their residence. Attorney Jordan said MHVFCU is working with Villa Carmella to loosen up their cash flow so they would be able to make payments to KLDC. At this time no action is being taken, the Board awaits further information from Mr. Jordan.

Roberti's - Attorney Jordan told the Board Roberti's is well into foreclosure proceedings with MHVCU. He has been in contact with MHVCU and has learned there have been at least two (2) offers for the purchase of the Foxhall Ave. property. At the moment the second offer is on the table to purchase it for \$500,000. There is a vacant lot on the opposite side of the street that the credit union may be willing to give to KLDC in lieu of the \$55,574.26 due on Mr. Roberti's loan. Attorney is waiting to hear what MHVFCU will offer.

Valerie's - The roof on the Cozy Tavern has collapsed. Capt. Brunner of the Building Department is in contact with both Ms. Mayone and her insurance adjuster regarding coverage and repair of roof. She was given sixty (60) days notice to comply. Ms. Mayone has fallen behind on payments since April 1, 2008 and currently holds a balance of \$128,946.05 between both of her loans. Ms. Mayone is unwilling to put up her own assets as collateral so Rondout Savings Bank (RSB) is working with her to restructure her loans. Mr. Murphy has been working with RSB to enter into an inter-creditor agreement per authorization of KLDC Board.

The Board discussed the need for their own loan policy much like those of banks. There are already guidelines in place and Mr. Marsh is working on the KLDC's Mission Statement. The Board reviewed the *draft* letter composed by Mr. Murphy that will be sent to all delinquent accounts. The Board can no longer deal with the delinquencies wearing kid gloves. There can not be any exceptions everyone will receive the letter and those who are behind on taxes as well will get a harsher letter. Each loan

recipient will be asked to contact Mr. Murphy to discuss bringing their loans current and if they do not comply they will be notified of collections, filing of judgments, possible wage garnishment and in some cases the potential of foreclosure proceedings. Mr. Murphy believes another way to generate revenue

would be to charge a fee to restructure loans and write up new agreements. A motion was made by Mr. Jordan for Mr. Murphy to send out the delinquency letters and to take the appropriate actions on each of the accounts. Second by Mr. Fitzgerald. Passed unanimously.

The Board would also like to start reporting delinquent payments to the credit bureaus as they believe people would take the repayments more seriously as it will have an affect on their credit. The Board has requested Mr. Murphy look into how we can set that up and begin reporting right away.

There are four (4) delinquent KRLF loans; seven (7) delinquent Section 108 loans and sixteen (16) delinquent CDLF loans. All will be sent the above referenced letters within the next week.

Noah Repayment – In September 2009 Mr. Blaichman met with President Sottile, Mr. Murphy and Mr. Finkle regarding his \$200,000.00 note that was December 31, 2009. Though the original note had 0% interest they came to an agreement that Mr. Blaichman would pay \$80,000 by December 31, 2010 and the balance of \$120,000 would be due December 31, 2010. He would pay 5% interest monthly on the outstanding balance. Mr. Blaichman made his \$80,000 payment the first week in March 2010. As per the authorization of the Board, the \$80,000 repayment will be used by Mr. Finkle as a match on a waterfront grant building a walkway along the bulkhead. Mr. Blaichman has requested the Board give him a year or two extension on his repayment of the remaining \$120,000. The Board feels Mr. Blaichman has had sufficient time to make payment and will not grant him an extension. Mr. Finkle proposed a hypothetical question asking what if Mr. Blaichman were to donate the property to the City, the City puts it out for RFP and when sold, keep what he owed us and give him the remainder of the money. The Board is opposed to anything other than full payamnet on note or foreclosure on property. A motion was made by Mr. Jordan for Mr. Murphy to send Mr. Blaichman a letter outlining the following: Payment in the amount of \$40,000 is due the last tree quarters of 2010. Should the KLDC not receive payment as directed and final payment not received by December 2010 they will begin foreclosure proceedings.

Armor Dynamics – Mr. Finkle gave an update on Armor Dynamics. Both he and President Sottile visited Armor Dynamics and spoke with Dave Warren and Ed Tadeschi. They said they've had difficulty obtaining the poltrusion machine as they've have money issues involving partners. They indicated they have been awarded a grant courtesy of Congressman Hinchey and have signed contracts with General Dynamics a defense contractor of Falls Church, VA. Armor Dynamics is currently behind on 2009-2010 school and property taxes and four (4) months behind on loan payments to KLDC. Mr. Warren said he expects cash flow within the next three (3) months. The principals of the company to date still have not furnished the KLDC with all the documentation they have requested over the past few years and since they will not give financial documentation to banks they are unable to obtain conventional loans. The Board is somewhat on the fence as Armor Dynamics is a start up company that could very well have potential for growth. After a brief discussion on their delinquency the Board directed Mr. Murphy to send a letter to Armor Dynamics telling them they absolutely must bring their taxes current and the KLDC would be patient and wait for rent until Armor's grant monies are released.

Mr. Jordan questioned the expenditures that were voted on during the June 4, 2009 meeting regarding a shovel ready site for either an Armor Dynamics expansion or another "potential" company relocation. A motion was made by Ms. Potter to authorize President Sottile to enter into contract with Brinier & Larios, PC to begin the process of getting the site shovel ready. Said contract was not to exceed \$24,000.00 and was to include coordination with the Kingston Planning Board and meeting the necessary requirements set forth by the Kingston Planning Board. Since there has not been a need to continue with making this a shovel ready site Mr. Jordan made a motion to rescind unused monies allocated to Brinnier & Larios, PC for making the second and/or third site shovel ready. Second by Mr. Mathews. Passed unanimously.

Financial Statements Mr. Murphy will review the Financial Statements for year ended December 31, 2008 compiled by Kimball & O'Brien, PC for their review at the next meeting to be held on May 6, 2010 at 8:00 am.

At 9:16am a motion was made by Vice President Dwyer to adjourn. Second by Mr. Mathews. Passed unanimously.

Respectively Submitted,

A handwritten signature in black ink, reading "Amanda L. Bruck-Little". The signature is written in a cursive style with a large initial 'A' and a long, sweeping underline.

Amanda L. Bruck-Little
Recording Secretary